

# Liquidity in an Illiquid Market: Record TRS Volumes on the S&P UBS USD Liquid Leveraged Loan Index

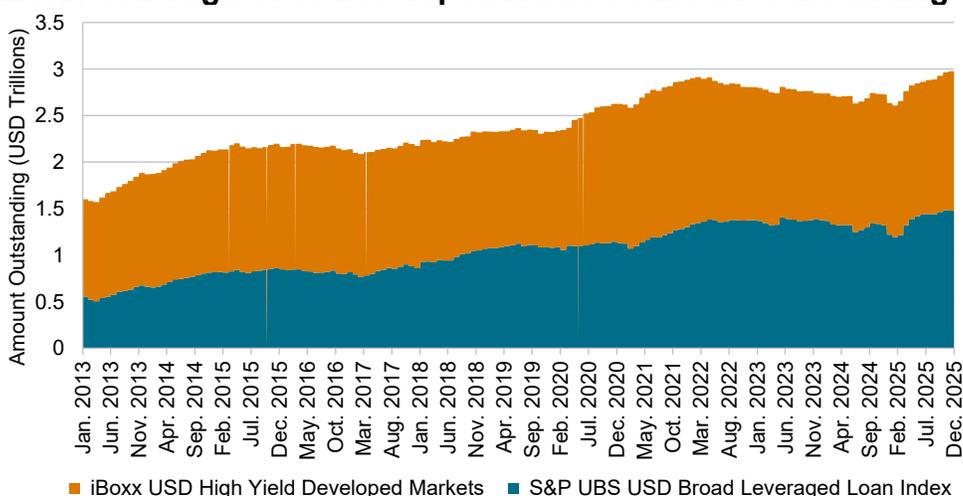
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The USD leveraged loan market has grown substantially over the past decade. The S&P UBS USD Broad Leveraged Loan Index has seen its amount outstanding grow by 82% over the past decade, with a par amount of roughly USD 1.48 trillion as of Dec. 31, 2025 (versus USD 812 billion a decade earlier). The market size is roughly on par with the USD high yield market—however, the USD 1.5 trillion included in the iBoxx USD High Yield Developed Markets Index is only 13% greater than where it was a decade earlier (see Exhibit 1).

**Exhibit 1: S&P UBS USD Broad Leveraged Loan Index versus iBoxx USD High Yield Developed Markets Amount Outstanding**



Source: S&P Dow Jones Indices LLC. Data from Jan. 31, 2013, to Dec. 31, 2025. The iBoxx USD High Yield Developed Markets Index was launched July 20, 2018. All data prior to such date is back-tested hypothetical data. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure linked at the end of this post for more information regarding the inherent limitations associated with back-tested performance.

Several factors have contributed to the loan market's relative growth. Centralized loan obligation (CLO) issuance has expanded significantly, creating sustained institutional demand for floating-rate loan assets. Simultaneously, private equity sponsor activity—leveraged buyouts, refinancings and dividend recapitalizations—has favored the loan market's flexibility and speed of execution compared to the public bond issuance process.

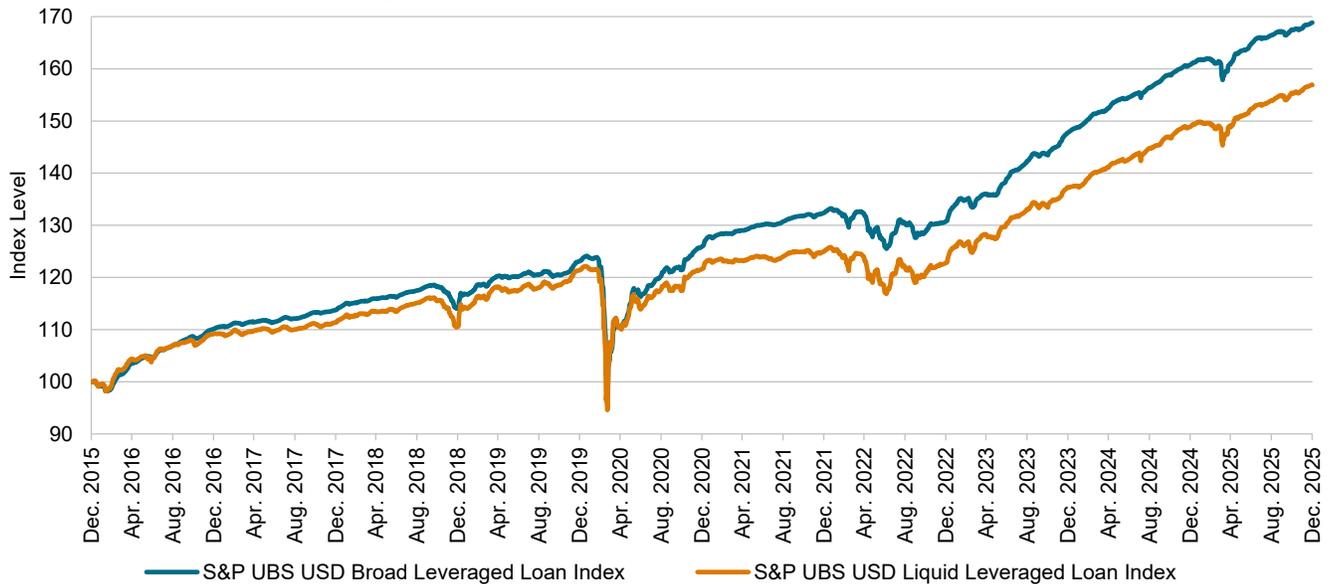
High yield bonds and leveraged loans both represent sub-investment grade credit, but they differ in key structural respects. High yield bonds are typically fixed rate and unsecured, carrying meaningful duration and interest rate sensitivity. Leveraged loans are floating rate and senior secured, with coupons that reset periodically based on a reference rate such as SOFR. This floating-rate structure results in negligible duration—loan returns are driven primarily by credit spread movements rather than rates. The seniority and collateral backing of loans also positions them higher in the capital structure, which has historically translated to higher recovery rates in default scenarios.

## The S&P UBS USD Liquid Leveraged Loan Index

The S&P UBS USD Liquid Leveraged Loan Index selects the 100 most trade-efficient loans from the broader benchmark universe. Eligibility requires a minimum facility size of USD 500 million and sufficient pricing depth, measured by the number of contributing dealers and their quote frequency. Final selection is determined by liquidity scores from S&P Global Market Intelligence's Evaluated Bond Pricing service, which synthesizes multiple metrics including bid-offer spreads, quote frequency and market depth. The result is an index that tracks the broader loan market while focusing on constituents where price discovery and execution are most efficient.

Despite holding only around 100 loans versus the broader benchmark's larger universe, over the decade ending Dec. 31, 2025, the S&P UBS USD Liquid Leveraged Loan Index maintained a 97% daily return correlation with the S&P UBS USD Broad Leveraged Loan Index (see Exhibit 2). This tight relationship suggests that representative loan market beta is available through a more concentrated, tradable subset.<sup>1</sup>

<sup>1</sup> For more information please see the [S&P UBS USD Broad Leveraged Loan Index Methodology](#) and the [S&P UBS USD Liquid Leveraged Loan Index Methodology](#).

**Exhibit 2: 10-Year Total Return**

Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 2015, to Dec. 31, 2025. TRI rebased to 100 at start of period. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Despite tracking substantially lower par amount and fewer bonds, the characteristics of the S&P UBS USD Liquid Leveraged Loan Index are similar to those of the S&P UBS USD Broad Leveraged Loan Index (see Exhibit 3).

**Exhibit 3: S&P UBS USD Liquid Leveraged Loan Index and S&P UBS USD Broad Leveraged Loan Index Characteristics**

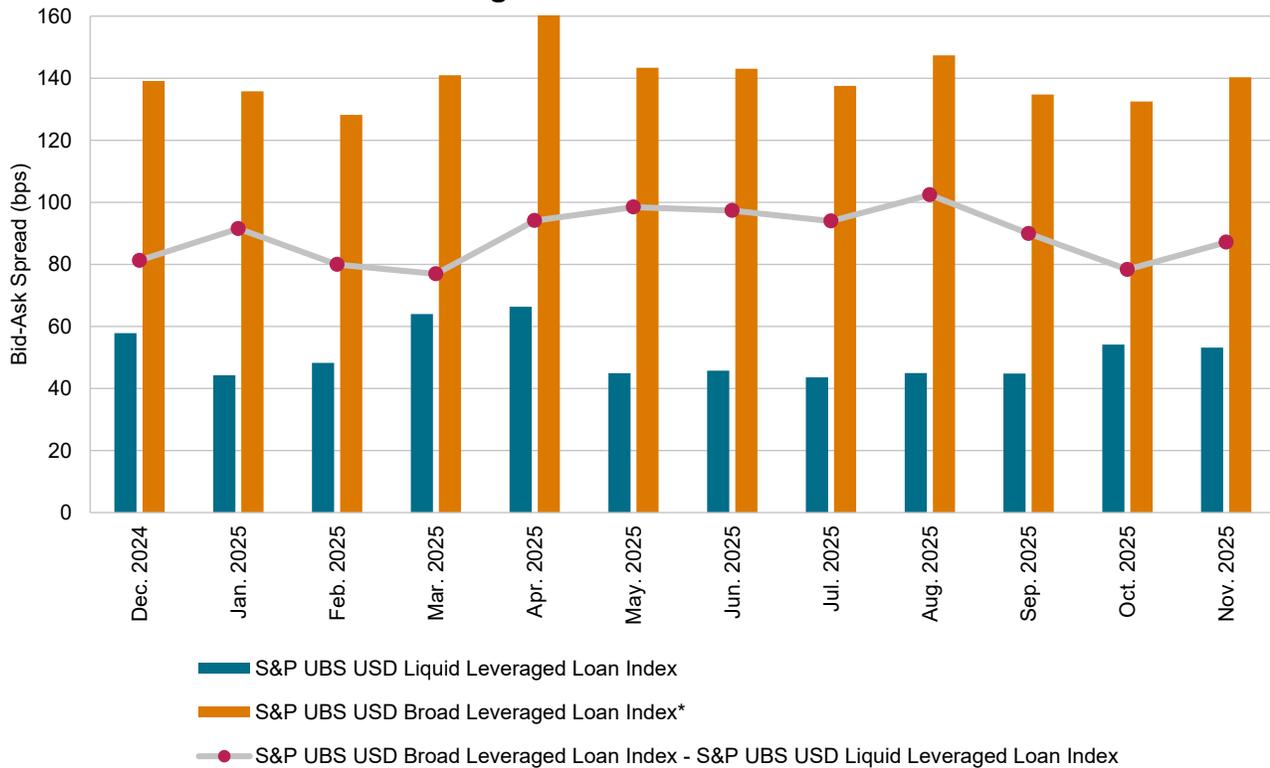
Metric	S&P UBS USD Liquid Leveraged Loan Index	S&P UBS USD Broad Leveraged Loan Index
Coupon (%)	6.36	7.03
Market Value (USD Billion)	227.6	1,370.4
Nominal Value (USD Billion)	239.8	1,478.2
Number of Loans in Index	103	1,328
Expected Remaining Life	4.6	4.5

Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2025. Table is provided for illustrative purposes.

## Trading Efficiency

The liquidity advantage is evident in trading costs. Looking at month-end component data throughout 2025, the average bid-ask spread of loans in the S&P UBS USD Liquid Leveraged Loan Index was 51 bps, compared to 140 bps for non-index loans in the broader universe. For the broader universe, loans with bid prices below 10 were filtered out, given those few loans distorted bid-ask spreads significantly to the higher end. This differential indicates significant trade efficiencies in the S&P UBS USD Liquid Leveraged Loan Index versus the S&P UBS USD Broad Leveraged Loan Index (see Exhibit 4).

### Exhibit 4: Bid-Ask Spread of S&P UBS USD Liquid Leveraged Loan Index Compared to the S&P UBS USD Broad Leveraged Loan Index

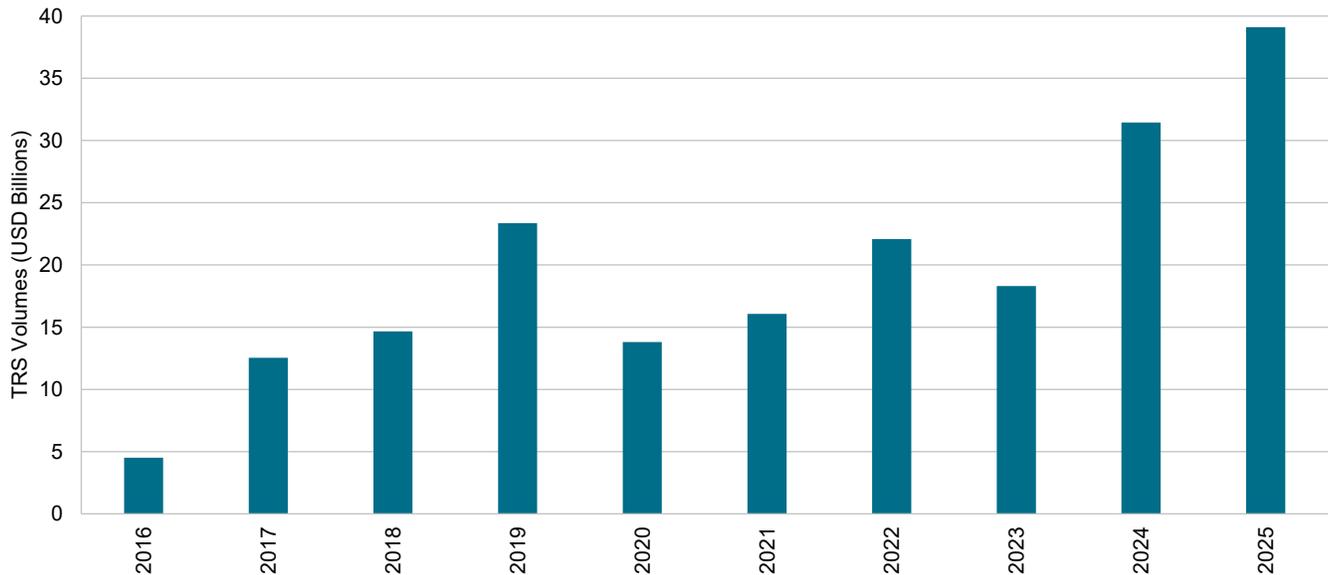


Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 2024, to Nov. 30, 2025. \*S&P UBS USD Broad Leveraged Loan Index bid price > 10. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

## Record TRS Volumes

Standardized total return swaps (TRS) on the S&P UBS USD Liquid Leveraged Loan Index reached record volumes in 2025, with USD 39.1 billion in annual notional traded—24.3% above 2024 levels. This marks the third consecutive year of record TRS trading volumes on the S&P UBS USD Liquid Leveraged Loan Index, with the latest annual volumes 77.1% higher than three years ago and 183.3% higher than five years ago (see Exhibit 5). Standardized TRS reflect index performance in an unfunded, OTC format governed by ISDA documentation, offering operational efficiency relative to assembling a physical loan portfolio.

## Exhibit 5: Standardized TRS Volumes Linked to the S&P UBS USD Liquid Leveraged Loan Index



Source: OSSTRA. Data from Dec. 31, 2016, to Dec. 31, 2025. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

This growth in TRS activity has coincided with expansion in adjacent markets, like CLOs, which has seen expanding issuance and represents a significant source of demand for leveraged loans. The parallel growth of TRS volumes linked to the S&P UBS USD Liquid Leveraged Loan Index and CLO activity reflects broader institutional engagement with the leveraged loan asset class.

## The Private Credit Connection

The expansion of tradable loan market infrastructure has occurred alongside significant growth in private credit. The Alternative Credit Council, the private credit affiliate of the Alternative Investment Management Association (AIMA), estimates private credit AUM to be USD 3.5 trillion as of Dec. 9, 2025.<sup>2</sup> Though these markets differ in structure and liquidity, they share fundamental characteristics that create observable relationships in performance.

Leveraged loans and private credit occupy different points on the liquidity spectrum, yet both share key structural features. Both typically carry floating-rate coupons, with yields tied to a base rate such as SOFR plus a credit spread. This structure results in negligible duration—returns are driven primarily by spread movements and credit performance rather than interest rate sensitivity.

<sup>2</sup> [“Press Release: Strong growth sees private credit market reach US\\$3.5 trillion.”](#) AIMA. Dec. 9, 2025.

## Correlation Analysis

The structural similarities manifest in meaningful performance correlations. Private credit benchmarks report on a quarterly basis, so we compare the S&P UBS USD Liquid Leveraged Loan Index to the Cambridge Associates (CA) U.S. Private Credit Index using quarterly performance. For the decade ending Sept. 30, 2025—the most recent period for which Cambridge Associates data is available—the two indices exhibited a correlation of 80.6%. Exhibit 6 shows the quarterly performance correlation of the S&P UBS USD Liquid Leveraged Loan Index and S&P UBS USD Broad Leveraged Loan Index with the CA U.S. Private Credit Benchmarks.

### Exhibit 6: Leveraged Loan versus Private Credit 10-Year Quarterly Performance Correlation

Index	S&P UBS USD Liquid Leveraged Loan Index (%)	S&P UBS USD Broad Leveraged Loan Index (%)	CA U.S. Private Credit (%)	CA U.S. Senior Debt (%)	CA U.S. Subordinated Capital (%)
S&P UBS USD Liquid Leveraged Loan Index	100.0	-	-	-	-
S&P UBS USD Broad Leveraged Loan Index	96.9	100.0	-	-	-
CA U.S. Private Credit	80.6	85.6	100.0	-	-
CA U.S. Senior Debt	79.3	82.8	87.8	100.0	-
CA U.S. Subordinated Capital	71.0	74.1	93.8	79.4	100.0

Source: S&P Dow Jones Indices LLC and Cambridge Associates Benchmarks. Data as of Sept. 30, 2025. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

## Transparency across the Liquidity Spectrum

Private credit markets are characterized by bilateral negotiation, bespoke terms and limited price transparency. The broadly syndicated loan market offers greater visibility but still lacks the standardization typical of bond markets—each loan carries unique documentation and trading conventions. The S&P UBS USD Liquid Leveraged Loan Index, and the TRS that reference it, introduce a layer of daily pricing, transparent methodology and standardized trading infrastructure to an asset class where these features are otherwise scarce.

## Conclusion

The record TRS volumes on the S&P UBS USD Liquid Leveraged Loan Index reflect demand for liquid, transparent instruments in a credit market that continues to grow in scale and institutional relevance. As the loan market expands and its connections to adjacent credit markets deepen, the tradable ecosystem around the S&P UBS USD Liquid Leveraged Loan Index provides a daily-priced reference point for an asset class playing an increasingly central role within credit markets.

## Performance Disclosure/Back-Tested Data

The iBoxx USD High Yield Developed Markets Index was launched July 20, 2018. All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance, and is based on the index methodology in effect on the index launch date. However, when creating back-tested history for periods of market anomalies or other periods that do not reflect the general current market environment, index methodology rules may be relaxed to capture a large enough universe of securities to simulate the target market the index is designed to measure or strategy the index is designed to capture. For example, market capitalization and liquidity thresholds may be reduced. In addition, forks have not been factored into the back-test data with respect to the S&P Cryptocurrency Indices. For the S&P Cryptocurrency Top 5 & 10 Equal Weight Indices, the custody element of the methodology was not considered; the back-test history is based on the index constituents that meet the custody element as of the Launch Date. Also, the treatment of corporate actions in back-tested performance may differ from treatment for live indices due to limitations in replicating index management decisions. Complete index methodology details are available at [www.spglobal.com/spdji](http://www.spglobal.com/spdji). Back-tested performance reflects application of an index methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results.

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